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 CENTRAL INTELLIGENCE AGENCY
 WASHINGTON, D.C. 20505

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29 JAN 1976

Honorable John J. Flynt, Chairman
 Committee on Standards of Official Conduct
 House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

Numerous bills before the Committee on Standards of Official Conduct would require large numbers of Federal employees, including certain employees of the Central Intelligence Agency, to file annual financial statements with the Comptroller General. A listing of these bills, introduced prior to 6 October, is enclosed. The most inclusive of these bills would require statements from all Federal employees earning in excess of \$18,000 per year. Many would require the statement to include:

- (a) the amount and source of each item of income or gift exceeding \$100 in value;
- (b) the value of each asset held by the employee solely or jointly with a member of his family;
- (c) the amount of each liability owned by the employee solely or jointly with a member of his family;
- (d) all dealings in securities or commodities; and
- (e) all purchases and sales of real property.

The Comptroller General is directed to prescribe the form and detail required of the reports, which are to be available to the public under regulations promulgated by the Comptroller General. Willfully failing to file a report or willfully filing a false report will subject an employee to a potential penalty of five years imprisonment and a \$10,000 fine.



The obvious purpose of these bills is to expose and prevent any conflict of interest of Federal employees. These employees are now subject to several Federal laws governing conflict of interest (18 U.S.C. 202, 203, 205, 207, 208, and 209). In addition, certain Executive branch employees, including those of the Central Intelligence Agency, are subject to Executive Order 11222 (dated 8 May 1965) "Prescribing Standards of Ethical Conduct For Government Officers and Employees [As Amended]," and regulations issued by the Civil Service Commission and individual agencies pursuant to E.O. 11222. These regulations require statements on financial holdings by senior officers, and other employees at the GS-13 or above level who "are responsible for making a Government decision or taking a Government action in regard to: (1) contracting or procurement, (2) administering or monitoring grants or subsidies, (3) regulating or auditing private or other non-Federal enterprise, or (4) involved in activity where the decision or action has an economic impact on the interests of a non-Federal enterprise." 5 C.F.R. §735.403 (1974).

The bills before the Committee on Standards of Official Conduct differ from the approach of E.O. 11222 in two key respects. First, the bills require statements from all employees of the Government above a specified salary level, regardless of whether that employee's responsibilities present any opportunity for conflict of interest or have any economic impact whatsoever on the interests of any non-Federal enterprise. Second, and most important, E.O. 11222 provides for the strict confidentiality of financial statements, whereas the bills under consideration would make the statements available to the general public.

These bills would seriously inhibit this Agency's ability to conduct its basic intelligence mission. In order to fulfill our primary responsibility of providing our nation's policy-makers with accurate and current information on foreign developments, a substantial number of our employees cannot be openly identified with CIA. In some cases our employees are not even identified with the United States Government. The public availability of these financial statements would permit any American or foreigner residing in this country to learn the identities of all CIA employees earning the specified salary.

A related problem concerns the daily access CIA employees have to highly classified information, information which would be extremely valuable to hostile foreign intelligence services, and for which foreign services have,

and would offer large sums of money. Numerous attempts have been made by foreign intelligence services to recruit Agency employees. The disclosure of the financial status of all CIA employees would assist opposition services in identifying CIA employees for possible approach.

Congress has recognized that the Agency's ability to accomplish its unique mission could be jeopardized by public disclosure of the names and other data regarding CIA employees, as is required by these financial disclosure bills. Accordingly, Section 7 (now Section 6) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403g) was enacted. This section reads:

"In the interests of the security of the foreign intelligence activities of the United States and in order further to implement the proviso of section 403(d)(3) of this title that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure, the Agency shall be exempted from the provisions of any...law which require[s] the publication or disclosure of the organization, functions, names, official titles, salaries, or numbers of personnel employed by the Agency...."

I believe that a serious question of statutory conflict with Section 6 of the CIA Act might arise if a financial disclosure bill was enacted which required the public identification of CIA employees, and I request that any such bill reported by the Committee exempt CIA employees.

Aside from the particular interests of this Agency, I also believe that the bills in question unnecessarily intrude into the privacy of Federal employees by requiring public disclosure of their financial position, regardless of whether their responsibilities present an opportunity for conflict of interest or have an economic impact on private financial interests. I urge the Committee to consider this legislation in the light of the principles Congress endorsed in the Privacy Act of 1974 (P.L. 93-559). While Federal employment is a privilege and not a right, the public interest in attracting the highest caliber of individuals to Federal service is best served by not differentiating between Federal employees and other citizens unless there are persuasive reasons for doing so.

Mr. Chairman, I oppose the legislation before the Committee on Standards of Official Conduct which would require disclosure of the financial position of large numbers of Federal employees. It would result in a substantial invasion of personal privacy where no reasonable risk of conflict of interest exists. In

the interest of resolving any possible conflict with existing law as it relates to publishing the identities and related information of Agency employees, if such legislation is favorably considered, I request that CIA employees not be included within the scope of the bill.

The Office of Management and Budget has advised there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

Vernon A. Walters

Vernon A. Walters
Lieutenant General, USA
Acting Director

Enclosure

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